

9 Cash Management and Disbursement

“ Any interest earned on Cal Grant funds *in any account* must be returned to the Commission on behalf of the state. ”

This Chapter covers the processes by which schools receive and disburse Cal Grant funds. The annual funding cycle begins in August, or upon the passage of the state budget, and ends on December 31 of the following year.

9.1 Cal Grant Funding Process

Each year in August, or after the annual state budget becomes law, whichever is later, the Commission advances money to participating Cal Grant schools. Each school's fall term advance is 95 percent of the total reconciled Cal Grant payments for the fall term of the previous year. If a school is a newly participating institution or has no reconciled payments from the previous fall term, the school must submit payment transactions in order to receive funds. See Example 1.

Example 1 - Fall Advance

- A school reconciled \$100,000 in payments for fall 2002-03.
- Therefore, the school's 2003-04 fall term advance would be:
 $\$100,000 \times 95\% = \$95,000$

Schools will receive an advance for each term during the award year. The amount of the advance is calculated as 95 percent of the amount that was reconciled for the same term of the previous year. However, the amount advanced for subsequent terms is offset by any funds still remaining in the school's account. See Example 2.

Example 2 - Advance, Minus Offset

- A school is advanced \$95,000 for the fall term and has reconciled \$80,000 in payments before the spring advance.
 $\$95,000 - \$80,000 = \$15,000$ offset remaining from the fall
- Prior year spring payments were \$110,000.
 $\$110,000 \times 95\% = \$104,500$ potential spring advance
- However, the new spring advance is:
 $\$104,500 - \$15,000 = \$89,500$

Once the advance is sent to the school, the institution uses the funds to disburse Tuition/Fee, Access and Books & Supplies payments to recipients or credit the recipients' accounts. The school also begins reporting payments to the Commission. The reconciliation process updates the school's account balance to reflect the total payments that have been reconciled. During the month-end process, if the amount of payments reconciled for the term exceeds the advance amount, additional funds will be sent to the school. See Example 3.

Example 3 - Additional Funds

- A school was advanced \$95,000 for a term.
- The school reported \$105,000 in payments for the term.
- Therefore, the Commission will send an additional:
 $\$105,000 - \$95,000 = \$10,000$ for the term

Each month, the Commission produces a *Payment Activity Report* summarizing all funds sent to the school and the total of reconciled payment transactions received from the school for the academic year. This report is discussed in detail in Chapter 10, Reconciliation.

9.2 Delivery of Funds

When funds are authorized, the Commission submits a claim schedule to the State Controller's Office authorizing payment to the school. The State Controller's Office then issues either an Electronic Funds Transfer (EFT) to the school's designated account or a paper warrant.

EFT is Quicker- EFT allows schools to receive Cal Grant payments via direct deposit to a designated account. The paper warrant takes approximately five additional days for schools to receive funds.

Process for Delivery of Funds to Schools

- 1) Each August, or after the state budget passes, the Commission calculates an advance amount for each school.
- 2) The Commission sends a claim schedule to the State Controller's Office.
- 3) Advance funds are sent to schools.
- 4) Schools can begin disbursements.

EFT Participation- To participate in EFT, the Commission requires that the school:

- ▶ provide valid bank routing and account numbers
- ▶ provide name and e-mail address of an EFT contact person
- ▶ participate in a test run to assure the validity of the provided accounts

The designated school contact will receive e-mail notice from the Commission when Cal Grant funds are scheduled for electronic transfer to the school's bank. The e-mail notice will indicate the scheduled dollar amount of funds to be issued and the day the school may expect funds to be deposited. As a convenience, the school can designate the e-mail to be sent to multiple addresses.

Participation in EFT is highly recommended, but is not mandatory. It is important that schools notify the Commission as soon as possible to update any changes in EFT contact, bank or e-mail information.



Contact Us- To contact the Commission regarding EFT transactions or information, use the following e-mail address: eft@csac.ca.gov

9.3 Institutional Cash Management

gaap Account Maintenance

When agreeing to participate in the Cal Grant program, an institution agrees to maintain standards of administrative capability in accordance with state and federal laws and regulations as applicable. The institution shall maintain and document an accounting system that conforms to generally accepted accounting principles and practices that allows the Commission to determine adherence to fiscal responsibility and standards. Documentation requirements include items such as:

- ✓ Cash receipts and disbursement journals,
- ✓ Bank account reconciliation,
- ✓ Evidence of receipt of funds by recipients or credit of funds to recipients, and
- ✓ All other accounting records necessary to account for all transactions.

The institution must designate individuals who are responsible for Cal Grant account maintenance and the adherence to accepted accounting principles and practices. The institution also agrees to designate two separate individuals: one who is responsible for authorizing the payment of Cal Grant funds and one who is responsible for disbursing or delivering funds. No one person or office may exercise both functions for any student receiving Cal Grant funds. For additional information, please refer to **Chapter 2** and the Institutional Participation Agreement. A copy is included as **Appendix ?**

Designated Account- Schools are required to maintain all Commission Cal Grant funds in a designated account identified as the property of the state either by a ledger account or a bank account. The school may deposit funds from various sources including Cal Grant funds into one bank account, but must identify the Cal Grant funds by using subsidiary ledgers. If desired, the institution may establish a separate bank account designated for Cal Grant funds.

All activity (deposits and expenditures) of Cal Grant funds must be supported by appropriate accounting records in accordance with generally accepted accounting principles and practices. Any interest earned on Cal Grant funds **in any account** must be returned to the Commission on behalf of the state.

Security and Confidentiality

Schools must establish and maintain written policies and procedures that provide security and confidentiality of all recipients' personal identification information, payments, financial history and other related confidential information and documents.



Records Retention

The retention of comprehensive and accurate program and fiscal records documents the accuracy of reported grant payments and the right of the institution to receive or retain payments made by the Commission.

Commencing with the 2000-01 award year, the Commission moved to a three-year record retention requirement for Cal Grant records. All records related to an academic year (July 1-June 30) should be retained for three years following the end of that academic year. See Example 4.

Example 4- Records Retention

- A student attends a school and exhausts his/her Cal Grant eligibility with a payment for the spring term that ends June 5, 2003.
- The student continues to be enrolled at the school, but receives no further Cal Grant payments.
- The record retention requirement for the student's Cal Grant records is until June 30, 2006.

Records for award years prior to 2000-01 continue to be subject to the previous five-year requirement. The Commission policy is now generally aligned with the United States Department of Education records retention requirements.

The Commission emphasizes the importance of maintaining complete and accurate records. Program and fiscal records are critical to demonstrate the school's eligibility for participation in the Cal Grant Program and they provide a clear "audit trail" for Cal Grant Program expenditures. Records must be retained to demonstrate proper administration of Cal Grant Program funds. Records for each Cal Grant recipient must clearly reflect that the student was eligible for the funds received, and that the funds were disbursed in accordance with program regulations.

9.4 Disbursement of Funds

Schools are allowed to credit grant funds to recipients' accounts up to three weeks before the start of each term. Access or Books & Supplies payments may be released up to 10 days before the start of each term.



Schools are to establish a written disbursement policy consistent with the Commission's policies and guidelines. Schools must:

- ▶ Make available to students a written disbursement schedule consistent with the start dates of the institution's enrollment periods and in accordance with the requirements specified for each educational program.
- ▶ Determine course attendance according to the recipient's attendance status at the time Cal Grant funds are paid. Disburse "Access" and "Books & Supplies" payments within ten days of verification of enrollment status.
- ▶ Disburse funds only to recipients whose eligible payment statuses have been verified and for no more than that which the recipients are eligible to receive for the term.
- ▶ Use its institutional refund policy to determine the amount of Cal Grant funds to be returned to the Commission on behalf of the state. Cal Grant funds may not be used for reimbursement to the federal government.

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- ▶ Regularly submit payment transactions through WebGrants, data files or the Grant Roster.
- ▶ Make all disbursements no later than September 30 following the end of the award year (e.g., September 30, 2004, for award year 2003-04).
- ▶ Establish and publish a policy that informs students of their options regarding receipt of Cal Grant funds and the student's subsequent ability to rescind their existing instructions at any time. This policy should be explicit on at least the following points:
 - ◆ Access or Books & Supplies payments are disbursed in accordance with school policy unless the student requests another action. For example, if the school normally applies Access funds directly to tuition, the student may request that the term amount be delivered direct to them.
 - ◆ The student may make this request at any time; however, any cancellation only affects future payments.
 - ◆ Access or Books & Supplies payments cannot be delivered to a third person



In addition, schools should be aware that:

- ▶ Cal Grant funds are to be disbursed in term order (i.e., disburse the fall term payment before the winter or spring term payment)
- ▶ Schools are not required to keep a separate recipient signature on file to verify that the recipient received payment for Access or Books & Supplies payments. However, canceled checks or warrants with recipient endorsement must be retained as verification.
- ▶ Schools may mail checks to students.
- ▶ Tuition/fee awards are disbursed in an amount not to exceed the maximum value of the tuition award for the term, or the maximum tuition/fees charged, whichever is less.
- ▶ In the event that the student is receiving benefits from another financial aid source that is also restricted to tuition and fees, the Cal Grant

tuition/fee payment amount must be adjusted or the other tuition-paying award can be returned so as not to exceed, in total, the amount of tuition/fees charged. In the event of other tuition awards, attempts should be made to preserve Cal Grant eligibility, since Cal Grants are a renewable source of aid.

- ▶ In the event that other non-tuition restricted aid has already been applied to the student's tuition/fee charges, or if the student has already paid their tuition/fees from their own funds, then Cal Grant tuition/fee funds may be released to the student. This is assuming the student has sufficient financial need for the payment.
- ▶ Should a school disburse funds to a student prior to approval of a final state budget, any overpayment may be adjusted by reducing subsequent term payments for that academic year if the student was enrolled in later terms.

Consortium Agreements

Schools may release funds for students attending other schools if a consortium agreement is in place. See Chapter 2 for more information regarding the establishment of consortium agreements.

For payment purposes, a student's enrollment status (full-time, three-quarter-time, half-time) can be determined based on the total units at both schools if a consortium agreement exists between the schools. If no consortium agreement exists, concurrent enrollment cannot be considered for Cal Grant purposes, and the participant's payment eligibility will be based only on the student's status at the school reporting payment.

9.5 Year-end Process

The Cal Grant participation agreement requires schools to make all disbursements for the year no later than September 30 following the award year. (e.g., For the 2003-04 award year, the deadline to make payments is September 30,

2004.) The Commission expects schools to also report all payment transactions for the year by that date, but preferably much earlier.

To resolve any subsequent payment transaction problems, Commission staff is available to work with financial aid administrators to help complete October and November processing and to assist schools with the reconciliation process.

Return of Excess Funds- In January, following the award year, schools that owe funds as a result of the Commission's final reconciliation will be sent an invoice. Payment of any invoice is due to the Commission within thirty (30) days of the invoice date.

Why Wait?

It is not necessary to wait, however, for an invoice at the end of the year. If at any time during the year, a school identifies that excess funds exist, the funds can be returned to the Commission with a brief note of explanation.



Mailing Address For Excess Funds

Institutions should send excess funds to:

Management Services Division
California Student Aid Commission
Fiscal and Administrative Services Branch
P.O. Box 419026
Rancho Cordova, CA 95741-9026